

15 February 2019

Roads Australia Submission
NSW Construction Leadership Group Construction Procurement Methods Industry
Discussion Paper December 2018

Roads Australia is pleased to make this submission in support of the work of the NSW Construction Leadership Group.

About Roads Australia

We are a not-for-profit, non-political industry association whose 150+ members include all of Australia's road agencies, major contractors and consultants, motoring clubs, service providers, and relevant industry groups. A list of Roads Australia members is attached.

RA does not advance sectional interests. Instead, we serve as an indispensable focus group, bringing together road and transport agencies and industry players to engage on practical policy issues that are - at their core - about delivering the best transport outcomes for all Australians.

Submission

Roads Australia welcomes the opportunity to make a submission on the Construction Procurement Methods Industry Discussion Paper.

The current infrastructure boom represents a once in-a-generation opportunity for Roads Australia (RA) members to make a powerful contribution to Australia's future prosperity. While a typical project in the recent past would sit in the \$200-\$500 million range, we are now heading towards multi-billion-dollar projects being the norm. Yet the complexity and scale of these projects means they also carry significant risks, making it increasingly challenging for industry to engage with the full scope of projects in the pipeline. This threatens to place a handbrake on the capacity of the sector at the very time it needs to be expanding.

Our members, even those with large balance sheets, are investing significantly to effectively manage the unprecedented financial and reputational risks associated with bidding for these projects, particularly as principal contractor.

RA commends the NSW Construction Leadership Group for taking on-board the call from industry for more flexible, fit-for-purpose procurement approaches, which we believe will be an effective weapon in the battle to increase industry capacity and capability.

Key discussions in RA Capacity Chapter 2018 forums have underlined the widely held view that one-size-fits-all approaches, sometimes dictated by Treasury guidelines in the past, are a real threat to delivery of optimum outcomes for government clients and industry. This is partly because this approach incorrectly assumes all of the procurement expertise lies with the government client and most of the risk should be borne by the commercial sector. In reality, a fixed approach to procurement hinders innovation and the ability for firms to bring their national and international expertise to the table.

We believe a better way would see the complexity, scale and duration of the project considered in collaboration with industry before the optimal procurement approach is determined. Under this model, there is a greater likelihood of utilising more innovative, effective, and efficient and risk managed approaches.

RA strongly supports the NSW Government commitment, as outlined in the Industry Discussion Paper, to procure projects in a more collaborative way – in particular, the proposed early market engagement approach to elicit industry views on the best choice of procurement pathway.

This more collaborative and mutually beneficial approach will ensure that more time and strategic effort is committed to major projects in the pre-tender stage, ideally by selecting a small number of preferred tenderers who have some portion of their bid costs met by the client. A better balance of resources, and appropriate time allocation to engineering and design resources, versus a pure delivery cost focus, will deliver better outcomes - with all sides working to the common objective of reducing the cost of tendering and bidding.

In Roads Australia's submission on the Commonwealth 2019/20 Budget priorities¹, we recognised the work of the Australian Constructors Association (ACA) in working with the NSW and Victorian governments through the Construction Industry Leadership Forum (CILF). The NSW Construction Leadership Group (CLG)² is to be commended for taking the CILF discussions forward through the proposed approach outlined in the Industry Discussion Paper. We have strongly encouraged other jurisdictions to follow.

The influx of more complex and larger-scale projects increases the likelihood of facing unknown risks at the contract stage. RA commends the NSW Government commitment to consider changes to the procurement, risk allocation and collaborative risk identification processes.

In RA industry forums during 2018, participants continually pointed to risk identification and allocation as a key capacity constraint in the sector, with particular concerns raised around utilities risk. The NSW Government, through CLG, has also heard strong industry feedback on risk allocation and consistency of contracting form. The commitment to engaging with industry on the procurement method, before procuring agencies launch tenders into the market, will be a huge step forward in enabling the right risk allocation between all parties.

¹

https://roads.org.au/Portals/3/Roads%20Australia%20Commonwealth%20Budget%20Submission%202019_2020.web.pdf?ver=2019-01-31-114002-260

²<http://www.infrastructure.nsw.gov.au/expert-advice/nsw-government-construction-leadership-group/>

The CLG recognises that choosing the most appropriate procurement method for a project is critical to achieving the project's objectives on terms which represent value for money.

RA members recommend that unbundling of large projects into smaller packages should be considered to reduce complexity and concentrate risk management efforts around more complex areas.

This unbundling is also conducive to a staged approach to projects, which has the added benefit of allowing for progressive assessment of risk, and also identifying opportunities for innovation. We also recommend that more emphasis be placed on creation of separate early works contracts for major projects, which can significantly reduce environmental and utilities risks.

Overall, Roads Australia reiterates our strong support for the much improved and collaborative approach to procurement of infrastructure projects in NSW, as outlined in the Industry Discussion Paper. Our members look forward to working with the CLG with the aim of achieving mutual benefits for government clients and industry participants, together with the improved NSW economic outcomes that will result from this approach.

For more information about this submission please contact Michael Kilgariff at michael@roads.org.au or 03 9821 5255.

Yours sincerely



Michael Kilgariff
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Roads Australia

Our members

				
 WorleyParsons Group				
				
				
				
				
				
				
				
				
				
				
				
				

Maroon highlight signifies new member in 2018.

ISCA Infrastructure Sustainability Council of Australia

JACOBS

JOHN HOLLAND

kapsch >>>

KBR

KHSA

KOMATSU

LIBERTY ONESTEEL

LAING O'ROURKE

Lendlease

LEVEL CROSSING REMOVAL AUTHORITY

LGAQ

mainroads WESTERN AUSTRALIA

MCCONNELL DOWELL CREATIVE CONSTRUCTION™

MIENGINEERS

MONASH University

M MOTT MACDONALD

MULTIPLEX

NTC AUSTRALIA National Transport Commission

Netflow

NORTH EASTLINK AUTHORITY

NORTH

OPV OFFICE OF PROJECTS VICTORIA

pitt&sherry

Plenary

Professionals Australia

PROJECT SUPPORT INDEPENDENT COSTING & DELIVERY ENGINEERS

Queensland Government

Q FREE

RAIL PROJECTS VICTORIA

Redflex

RLB Rider Levett Bucknall

RIZZANI DE ECCHER

ROAD FREIGHT NSW

Roadmarking Industry Association of Australia Ltd

NSW GOVERNMENT Transport Roads & Maritime Services

Rocla

RPS

salini impregilo

SAMSUNG SAMSUNG C&T

SEYMOUR WHYTE

SICE

SLR global environmental solutions

SMEC Member of the Surbana Jurong Group

Stantec

Sydney Motorway Corporation

BOYLAN

TFT Tonkin+Taylor

Tonkin CONSULTING

t | b | h

TRANSMAX

ACT Government Transport Canberra and City Services

tca

NSW Transport for NSW

Transurban

TSA MANAGEMENT

TURNBULL ENGINEERING INFRASTRUCTURE DESIGN

ventia

vic roads

victoriantransportassociation inc.

VIVA Energy Australia

WARD

WBHO INFRASTRUCTURE PTY LIMITED

WESTERN DISTRIBUTOR AUTHORITY

WorkPac Group A Smarter Alternative

City of Whittlesea

WSP

WT PARTNERSHIP

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